

OGEMAW COUNTY PUBLIC TRANSIT

AUDIT REPORT

SEPTEMBER 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Ogemaw County Public Transit</b>	County <b>Ogemaw</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>12/9/04</b>	Date Accountant Report Submitted to State: <b>2/11/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report or comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name)

**Anderson & Decker, P.C.**

Street Address

**P.O. Box 746**

Accountant Signature

City

**Roscommon**

State

**MI**

ZIP

**48653**

Date

**2/11/05**

# OGEMAW COUNTY PUBLIC TRANSIT

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# Anderson & Decker, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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(989) 275-8831

### INDEPENDENT AUDITORS' REPORT

December 9, 2004

Board of Commissioners  
Ogemaw County  
West Branch, Michigan 48661

We have audited the basic financial statements of the Ogemaw County Public Transit, an Enterprise Fund of Ogemaw County, as of and for the year ended September 30, 2004, as listed in the table of contents. These statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of The United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Ogemaw County Public Transit and do not purport to, and do not, present fairly the financial position of Ogemaw County, Michigan, as of September 30, 2004, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ogemaw County Public Transit, as of September 30, 2004, and the results of its operations and changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page 2  
Board of Commissioners  
Ogemaw County  
December 9, 2004

In accordance with Government Auditing Standards, we have also issued a report dated December 9, 2004, on our consideration of the Ogemaw County Public Transit's internal control over financial reporting and our test of its compliance with certain provision of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Ogemaw County Public Transit basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Ogemaw County Public Transit. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

OGEMAW COUNTY PUBLIC TRANSIT  
MANAGEMENTS'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2004

Ogemaw County Public Transit had minimal increase in revenues, with a substantial increase in expenses. Ogemaw County Public Transit had to pay \$47,437.00, to the County of Ogemaw for services received according to their cost allocation plan. The amount paid was for 2003 and 2004 fiscal year. Ogemaw County Public Transit also had an increase of \$7,300.00 in fuel expenses along with additional increases of wages and fringe benefits.

Ogemaw County Public Transit has developed a cost allocation plan for "Maintenance Services" we provide to county vehicles. The allocation plan will be adjusted annually and the hourly cost for maintenance service will be adjusted to reflect the increase of operations.

Ogemaw County Public Transit has also adjusted our cost allocation plan for the rent of building space. Rent income will be increased by \$6,895.00. This increase is to reflect the cost the Transit is charged from the county for "cleaning/maintenance" services.

Ogemaw County Public Transit anticipates there will be further changes due to the reduction in *State Operation Assistance* revenue. With the reduction in revenue and increased expenses, Ogemaw County Public Transit foresees the possibility of our fare structure being increased.

Shirley Buck, Director  
Ogemaw County Public Transit

OGEMAW COUNTY PUBLIC TRANSIT  
ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004

ASSETS

Current	\$ 235,496
Cash and investments	7,140
Accounts receivable	5,521
Due from other funds	60,082
Due from State	<u>22,920</u>
Prepaid expense	
Total Current Assets	331,159
Property and Equipment, less accumulated depreciation	<u>334,382</u>
Total Assets	<u>665,541</u>

LIABILITIES

Current Liabilities	12,858
Accounts payable	6,801
Accrued payroll	<u>10,099</u>
Due to other funds	
Total Current Liabilities	29,758
Noncurrent Liabilities	<u>11,815</u>
Accrued compensated absences	
Total Liabilities	<u>41,573</u>

NET ASSETS

Contributed capital	221,055
Undesignated	<u>402,913</u>
Total Net Assets	<u>\$ 623,968</u>

See Notes to Financial Statements

OGEMAW COUNTY PUBLIC TRANSIT  
ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2004

Operating Revenues	
Charges for services	\$ 58,869
Fare box and special fares	<u>11,940</u>
Vehicle maintenance	
	<u>70,809</u>
Total operating revenues	
Operating Expenses	220,992
Salaries and wages	125,457
Fringe benefits	57,513
Materials and supplies	49,769
Services	11,455
Utilities	22,919
Casualty and liability insurance	1,766
Miscellaneous	<u>82,620</u>
Depreciation	
	<u>572,491</u>
Total operating expenses	
	<u>(501,682)</u>
Operating income (loss)	
Non-operating Revenues (expenses)	112,496
Property taxes	41,461
Federal	195,811
State	18,878
State and Federal capital grants	16,008
Rent and other income	2,448
Interest/investment income	<u>3,313</u>
Gain on sale of fixed assets	
	<u>390,415</u>
Total non-operating revenues	
	(111,267)
Change in Net Assets	
	<u>735,235</u>
Net Assets - October 1, 2003	
	<u>\$ 623,968</u>
Net Assets - September 30, 2004	

See Notes to Financial Statements



OGEMAW COUNTY PUBLIC TRANSIT  
ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (111,267)
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation	82,620
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(2,088)
Decrease (increase) in due from other funds	585
Decrease (increase) in due from state	10,461
Decrease (increase) in prepaid expense	(5,745)
Increase (decrease) in accounts payable	(52,989)
Increase (decrease) in accrued payroll	(8,467)
Increase (decrease) in compensated absences	<u>(461)</u>
Net Cash Provided By Operating Activities	<u>(87,351)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	<u>33,315</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(120,666)
Cash and Cash Equivalents at October 1, 2003	<u>356,162</u>
Cash and Cash Equivalents at September 30, 2004	<u><u>\$ 235,496</u></u>

See Notes to Financial Statements

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Ogemaw County Public Transit is an enterprise fund of Ogemaw County. It provides transportation services to the residents of the County.

The Public Transit is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. This financial report has been prepared to meet this state requirement.

In compliance with GASB Statement 14, these financial statements are included in the County's (oversight unit) Basic Financial Statements as an Enterprise Fund.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ogemaw County Public Transit conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Ogemaw County Public Transit. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories of replacement parts are not maintained and fuel is expensed when purchased. Office supplies are not included in inventories.

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Ogemaw County's Trust and Agency Fund. The Transit subsequently receives its portion of the levy from this fund.

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. Depreciation expense for the year ended September 30, 2004 was \$82,620.

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D - PROPERTY & EQUIPMENT

	Balance 10/01/03	Additions	Deductions	Balance 9/30/04
Building	\$ 418,393	\$ -0-	\$ -0-	\$ 418,393
Vehicles	511,801	26,901	18,340	520,362
Equipment	75,799	4,025	-0-	79,824
Office Equipment	65,404	2,389	-0-	67,793
	<u>\$ 1,071,397</u>	<u>\$ 33,315</u>	<u>\$ 18,340</u>	<u>\$ 1,086,372</u>
Less Accumulated Depreciation	<u>\$ 687,710</u>	<u>\$ 82,620</u>	<u>\$ 18,340</u>	<u>751,990</u>
Net Property and Equipment				<u>\$ 334,382</u>

Depreciation expense for fiscal year ending September 30, 2004 was \$82,620.

NOTE E - PENSION PLAN

Several public transit employees participate in the overall general Ogemaw County retirement plan. A description of that plan follows:

Description of Plan and Plan Assets

Ogemaw County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent time the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE E - PENSION PLAN (CONTINUED)

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with Ogemaw County's competitive bargaining unit and personnel policy, which requires employees to contribute 5.5 percent of their wages to the plan. Ogemaw County is required to contribute at an actuarially determined rate; the current rate was 12.62 percent at December 31, 2003.

Annual Pension Cost

During the fiscal year ended December 31, 2003. Ogemaw County's contributions totaling \$423,203 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 399,554	100%	\$ -0-
2002	387,127	100%	-0-
2003	423,203	100%	-0-

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE E - PENSION PLAN (CONTINUED)

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2001	\$12,040,306	\$13,417,627	\$1,377,323	90%	\$ 3,518,333	39%
2002	12,665,815	14,620,919	1,955,104	87%	3,772,005	52%
2003	13,800,314	15,640,835	1,840,521	88%	3,745,159	49%

NOTE F - COMPENSATED ABSENCES

The compensated absences balance represent benefits in which transit employees possess a vested right to receive, upon termination or retirement from employment, in accordance with formulas established in negotiated contracts. Currently, all full time employees may accrue up to 96 hours of unused sick time. There are no provisions for accruing vacation time passed each full time employee's anniversary date.

NOTE G - CASH

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amounts</u>
		Petty Cash	\$ 100
Cash and investments	\$235,496	Imprest Cash	971
		Savings and Checking Accounts	1,000
		Investments	<u>233,425</u>
	<u>\$235,496</u>		<u>\$235,496</u>

Deposits - At the fiscal year ended September 30, 2004, the carrying amount of the Transit's deposits was \$1,971. This consisted of \$1,000 in a depository account and \$971 in an imprest checking account. The net bank balance was \$4,630. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 100% of the total bank balance was covered by federal depository insurance.

Investments - The Transit's investment consisted of a National City Bank Trust Account held by the County Treasurer, which is made up of U.S. Treasury, Agencies, and Instrumentalities, Commercial Paper, Banker's Acceptances and Repurchase Agreements which were not in the name of the Transit.

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE H - STATE GRANTS

The Transit has contracted with the State of Michigan for grant funds for operations and equipment. All of the monies that the Public Transit is now eligible to receive have not been disbursed to them as the projects have not been completed. As of September 30, 2004, \$5,169 is still available to the Transit under those grants.

NOTE I - RISK MANAGEMENT

The Ogemaw County Public Transit is exposed to various risks of losses related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Public Transit has the following commercial insurance coverages:

Type	Limit
Building & Liability	\$ 425,000
Contents	375,000
Vehicles	500,000
Workers Compensation	100,000

There are no open claims with the insurance carrier and there were no claims paid during the fiscal year ended September 30, 2004.

NOTE J - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, to purchase buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$52,990.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2004 \$18,878 of State/Federal Capital Grants were recorded as revenue.

Contributed Capital balances as of September 30, 2001 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted.

**SUPPLEMENTAL SCHEDULES**

## SCHEDULE 1

OGEMAW COUNTY PUBLIC TRANSIT  
OPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2004

## Operating Revenues

Demand-response (farebox)	\$ 25,604
Special Transit Fares	33,265
Vehicle	<u>11,940</u>
Total Operating Revenue	<u>\$ 70,809</u>

## SCHEDULE 1A

SCHEDULE OF SPECIAL TRANSIT FARES  
YEAR ENDED SEPTEMBER 30, 2004

Family Independence Agency	\$ 80
Ausable Valley	6,175
NBMSCA (Headstart)	19,710
Region 7-B	969
Bortz Health Care	759
Glen's Market - Senior Citizens	1,676
Other	<u>3,896</u>
Total Special Transit Fares	<u>\$ 33,265</u>



OGEMAW COUNTY PUBLIC TRANSIT  
OPERATING EXPENSES  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 133,315	\$ 32,472	\$ 31,660	\$ 197,447
Dispatcher's salaries and wages	23,545	-0-	-0-	23,545
Fringe Benefits	88,868	19,023	17,566	125,457
Services				
Advertising	-0-	-0-	776	776
Other Services	41,781	4,371	2,841	48,993
Materials and Supplies Consumed				
Fuel and lubricants	33,517	-0-	-0-	33,517
Tires and tubes	-0-	3,731	-0-	3,731
Other materials and supplies	832	16,625	2,808	20,265
Utilities	5,405	-0-	6,050	11,455
Casualty and Liability Costs	20,600	-0-	2,319	22,919
Miscellaneous Expenses				
Other	1,518	-0-	248	1,766
Depreciation & Amortization	<u>81,616</u>	<u>329</u>	<u>675</u>	<u>82,620</u>
Total Expenses	<u>\$ 430,997</u>	<u>\$ 76,551</u>	<u>\$ 64,943</u>	<u>\$ 572,491</u>

## SCHEDULE 3

OGEMAW COUNTY PUBLIC TRANSIT  
NONOPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2004

Local Operating Grants	\$ 112,496
Tax Levy	
Subtotal	<u>112,496</u>
State of Michigan Operating Grants	
Formula Operating Assistance	<u>195,194</u>
Subtotal State of Michigan Operating Grants	<u>195,194</u>
Federal Operating Grants	
U.S. DOT Operating Grant - Section 5311	<u>41,461</u>
Subtotal Federal Operating Grants	<u>41,461</u>
State of Michigan Capital Grants	<u>18,878</u>
Interest Income	<u>2,448</u>
Rent and Other Income	<u>16,008</u>
Single Business Tax	<u>617</u>
Gain on sale of fixed Assets	<u>3,313</u>
Total Nonoperating Revenues	<u>\$ 390,415</u>

## SCHEDULE 4

OGEMAW COUNTY PUBLIC TRANSIT  
SCHEDULE OF CONTRIBUTED EQUITY  
YEAR ENDED SEPTEMBER 30, 2004

	<u>State</u>	<u>Federal</u>	<u>Totals</u>
Balance, October 1, 2003	\$ 57,191	\$ 216,854	\$ 274,045
Deduct			
Depreciation of assets purchased from con- tributed equity	<u>7,888</u>	<u>45,102</u>	<u>52,990</u>
Balance, September 30, 2004	<u>\$ 49,303</u>	<u>\$ 171,752</u>	<u>\$ 221,055</u>

OGEMAW COUNTY PUBLIC TRANSIT  
CAPITAL CONTRACTS  
YEAR ENDED SEPTEMBER 30, 2004

Grantor: Michigan Department of Transportation

	<u>Grant Award or Carry Over</u>	<u>Earned</u>	<u>Amount Remaining</u>
#2002-0076/Z5	\$ 10,000	\$ 10,000	\$ -0-
#01-0922	6,986	6,368	618
#01-0551	3,061	2,510	551
#01-0076	<u>4,000</u>	<u>-0-</u>	<u>4,000</u>
Totals	<u>\$ 24,047</u>	<u>\$ 18,878</u>	<u>\$ 5,169</u>

## SCHEDULE 6

OGEMAW COUNTY PUBLIC TRANSIT  
 SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS  
 YEAR ENDED SEPTEMBER 30, 2004

	<u>Operations</u>	<u>Totals</u>
Labor	\$ 220,992	\$ 220,992
Fringe benefits	125,457	125,457
Services	49,769	49,769
Materials and supplies	57,513	57,513
Utilities	11,455	11,455
Casualty & liability costs	22,919	22,919
Miscellaneous	1,766	1,766
Depreciation and amortization	<u>82,620</u>	<u>82,620</u>
Total	572,491	572,491
Less: Ineligible Expenses	<u>(113,146)</u>	<u>(113,146)</u>
Total Eligible Expenses	<u>\$ 459,345</u>	<u>\$ 459,345</u>

## SCHEDULE 7

OGEMAW COUNTY PUBLIC TRANSIT  
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2004

	2002-0076/Z6 Federal <u>Section 5311</u>	State Operating <u>Assistance</u>
Expenses	\$ 220,992	\$ 220,992
Labor	125,457	125,457
Fringe benefits	49,769	49,769
Service	57,513	57,513
Materials & supplies	11,455	11,455
Utilities	22,919	22,919
Casualty & liability costs	1,766	1,766
Miscellaneous	82,620	82,620
Depreciation	<u>82,620</u>	<u>82,620</u>
Total Expense	572,491	572,491
Less Ineligible Expenses		
Rent income	16,008	16,008
Depreciation (less eligible)	82,398	82,398
Audit cost	2,800	-0-
Outside maintenance	<u>11,940</u>	<u>11,940</u>
Total Ineligible Expenses	<u>113,146</u>	<u>110,346</u>
Net Eligible Expenses	<u>\$ 459,345</u>	<u>\$ 462,145</u>
Maximum Section 5311 Reimbursement (10.95%) Not to exceed \$41,461	<u>\$ 41,461</u>	
State Operating Assistance		<u>\$ 195,194</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is to be computed at 42.236619648% of the current eligible expenses.

OGEMAW COUNTY PUBLIC TRANSIT  
DETAIL OF INELIGIBLE EXPENSES AND REVENUES  
SEPTEMBER 30, 2004

Rent

The Transit received \$16,008 in rent for the year ended September 30, 2004. The rental income has been deducted as ineligible.

Depreciation

Depreciation accrued by public operators is ineligible according to UMTA C 9050, 1A, Page V-4.

Audit cost

Any transit agency that expends less than \$300,000 in federal funds must subtract out the cost of the annual CPA audit cost as an ineligible expense under Section 5311.



# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

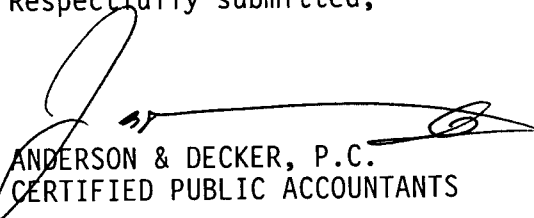
245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

December 9, 2004

Board Of Commissioners  
Ogemaw County  
West Branch, Michigan 48661

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2004, follows. This supplemental information was not audited by us and accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



OGEMAW COUNTY PUBLIC TRANSIT  
MILEAGE DATA, VEHICLE HOURS AND PASSENGERS (UNAUDITED)  
SEPTEMBER 30, 2004

	<u>Public Transportation Mileage</u>	<u>Vehicle Hours</u>	<u>Regular Passengers</u>	<u>Senior Passengers</u>
DEMAND RESPONSE				
1st Quarter	46,778	2,497	9,568	1,774
2nd Quarter	48,836	2,690	9,578	1,902
3rd Quarter	46,908	2,458	7,269	2,124
4th Quarter	<u>43,653</u>	<u>2,418</u>	<u>5,618</u>	<u>3,201</u>
TOTAL OPERATIONS	<u>186,175</u>	<u>10,063</u>	<u>32,033</u>	<u>9,001</u>

See Auditors' Disclaimer on Preceding Page.

<u>Handicapper Passengers</u>	<u>Senior Handicapper Passengers</u>
1,582	1,035
1,919	1,075
1,772	1,112
<u>1,823</u>	<u>1,213</u>
<u>7,096</u>	<u>4,435</u>



# Anderson & Decker, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 9, 2004

Board of Commissioners  
Ogemaw County  
West Branch, MI 48661

Dear Board:

We have audited the financial statements of the Ogemaw County Public Transit for the year ended September 30, 2004, and issued our report thereon dated December 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

#### Compliance

As part of obtaining reasonable assurance about whether Ogemaw County Public Transit's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Public Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and the Board of Commissioners, and is intended to be, and should not be used by anyone other than the specified parties.



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS